



EFRAG UPDATE

JANUARY 2022

The EFRAG Update is published on a monthly basis to inform constituents about due process publications, public technical discussions held and decisions taken during that month.

The EFRAG General Assembly in January 2022 has approved the **revised EFRAG Statutes and EFRAG Internal Rules**, integrating the new Sustainability Reporting Pillar in EFRAG's organisational structure. From now on EFRAG Financial Reporting Board and TEG are indicated as 'EFRAG FR Board/TEG' and EFRAG Sustainability Reporting Board and TEG as 'EFRAG SR Board/TEG'.

PUBLICATIONS

Final Comment Letter

Disclosure Initiative in IFRS Standards - A pilot Approach

On 27 January 2022, EFRAG published its [Final Comment Letter](#) in response to the IASB's Exposure Draft *ED/2021/3 Disclosure Initiative in IFRS Standards - A pilot Approach (Proposed Amendments to IFRS 13 and IAS 19)*.

A summary of the findings from the extensive outreach conducted by EFRAG is provided in the [Annex](#) to the Comment Letter.

For more details, please see the [EFRAG website](#).

Post-implementation Review of IFRS 9 - Classification and Measurement.

On 28 January 2022, EFRAG published its [Final Comment Letter](#) in response to the IASB Request for Information on the *Post-implementation Review of IFRS 9 - Classification and Measurement*.

For more details, please see the [EFRAG website](#).

Draft Comment Letters

Supplier Finance Arrangements

On 18 January 2022, EFRAG published its [Draft Comment Letter](#) in response to the IASB's Exposure Draft *ED/2021/10 Supplier Finance Arrangements* and seeks constituents' views on the proposals. Comments are requested by **9 March 2022**.

For more details, please see the [EFRAG website](#).

IAS 1 Non-Current Liabilities with Covenants

On 21 January 2022, EFRAG published its [Draft Comment Letter](#) in response to the IASB's Exposure Draft *ED/2021/9 IAS 1 Non-Current Liabilities with Covenants*. Comments can be submitted until **9 March 2022**.

For more details, please see the [EFRAG website](#).



EFRAG FR TEG Chairwoman Chiara Del Prete appointed as IFASS Chair from March following the nomination by EFRAG

EFRAG has been granted the Chairmanship of the International Forum of Accounting Standard Setters (IFASS) with EFRAG FR TEG Chairwoman, **Chiara Del Prete**, being the new IFASS Chair succeeding **Yasunobu Kawanishi**, for the March 2022 - March 2024 period.

For more details, please see the [EFRAG website](#).

Change in the EFRAG FR TEG composition

The new EFRAG FR TEG composition has been approved by the EFRAG FR Board.

EFRAG FR TEG will welcome two new members: **Carmen Barrasa** and **Aranzazu Leo Abad**, effective from 1 April 2022. The EFRAG FR TEG Chairwoman, **Chiara Del Prete**, has been reappointed for a second term. **Nicklas Grip** has reached his maximum term and will retire. **Jens Berger** will replace Nicklas Grip from 1 April 2022 as EFRAG FR TEG Vice-Chair.

Four EFRAG FR TEG members have been reappointed: **Emmanuelle Guyomard**, **Erlend Kvaal**, **David Procházka** and **Christoph Schauerte**.

For more details, please see the [EFRAG website](#).

WEBINARS AND ON-LINE OUTREACHES

SUMMARY REPORT: EFRAG – BusinessEurope - IASB Joint webinar: *Future of IFRS disclosure requirements: What we learnt from the field test with European preparers*

On 14 January 2022, EFRAG issued a [summary report](#) of the EFRAG – BusinessEurope - IASB joint webinar '*Future of IFRS disclosure requirements: What we learnt from the field test with European preparers*' held on 10 December 2021. At the event, field test participants shared their fieldwork experience on the IASB ED *Disclosure Requirements in IFRS Standards—A Pilot Approach*.

For more details, please see the [EFRAG website](#).

EFRAG asks for your views on *Classification of Liabilities with Covenants and Supplier Finance Arrangements*

EFRAG invites constituents to complete either or both of its online questionnaires on *Non-current Liabilities with Covenants* and *Supplier Finance Arrangements* **by 4 March 2022**. Both projects aim to improve reporting of liquidity risks.

Please find the *Non-Current Liabilities with Covenants* questionnaire [here](#) and the *Supplier Finance Arrangements* questionnaire [here](#).

For more details, please see the [EFRAG website](#).



OPEN CONSULTATIONS

Title and description	Closing date
Questionnaires on the IASB Exposure Drafts <i>ED/2021/9 Non-Current Liabilities with Covenants</i> and <i>ED/2021/10 Supplier Finance Arrangements</i>	4 March 2022
Draft Comment Letter on the IASB's Exposure Draft <i>ED/2021/10 Supplier Finance Arrangements</i>	9 March 2022
EFRAG Draft Comment Letter on the IASB's Exposure Draft <i>ED/2021/9 IAS 1 Non-Current Liabilities with Covenants</i>	9 March 2022
EFRAG Discussion Paper <i>Better Information on Intangibles – Which Is the Best Way to Go?</i>	30 June 2022

For more information please see [EFRAG's consultations page](#).

EFRAG FINANCIAL REPORTING BOARD (FR BOARD)

Webcast meeting

The EFRAG Board held a webcast meeting on [14 January 2022](#) and discussed the following topics:

IASB Publication *Non-Current Liabilities with Covenants*

EFRAG FR Board discussed the Draft Comment Letter on the IASB's Exposure Draft *Non-current Liabilities with Covenants* ('the DCL') as recommended by EFRAG FR TEG and approved it, subject to drafting changes agreed in the meeting. The DCL expresses disagreement with the separate presentation on the face of the statement of financial position of liabilities with covenants subject to compliance within twelve months after the reporting period. EFRAG FR Board suggested a number of changes to the DCL in particular with respect to the disclosure requirements.

IASB Project *Supplier Finance Arrangements*

EFRAG FR Board discussed the DCL on the IASB's Exposure Draft *Supplier Finance Arrangements* as recommended by EFRAG FR TEG and approved it, subject to drafting changes agreed in the meeting. In its DCL, EFRAG supports the project which improves conformity with existing disclosure requirements in IFRS Standards. However, EFRAG



considers that the IASB's proposals do not completely address the wider issue of presentation and classification of such arrangements in the primary financial statements, the necessary transparency on liquidity risk and working capital leverage.

Webcast meeting

The EFRAG FR Board held a webcast meeting on [26 January 2022](#) and discussed the following topics:

IASB Project *Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures*

EFRAG FR Board received an update and discussed EFRAG Secretariat's outreach and research activities on applicability of the IASB Exposure Draft *Subsidiaries without Public Accountability: Disclosures* in the European Union. In preparation of the approval of the Final Comment Letter EFRAG FR Board discussed the scope of the project, by considering the European Law and agreed on the process of approval of the final comment letter.

IASB Project Disclosure Initiative—Targeted Standards-level Review of Disclosures

EFRAG FR Board discussed the Final Comment Letter on the IASB's Exposure Draft *Disclosure Requirements in IFRS Standards – A Pilot Approach (Proposed amendments to IFRS 13 and IAS 19)* ('the FCL') as recommended by EFRAG FR TEG and approved it, subject to drafting changes agreed in the meeting. EFRAG welcomes the objective of the project and agrees with the proposal to work closer with users and other stakeholders early in the standard-setting process. However, based on the extensive outreach, field-testing and consultation conducted with European stakeholders, EFRAG concludes that the proposed approach in the ED may not achieve its intended objective. EFRAG proposed in its FCL an alternative approach.

Next meeting

The EFRAG Board will hold its next webcast meeting on [2 March 2022](#).

January 2022 written procedures

The EFRAG FR Board has approved the following document using written procedures in January:

- EFRAG Final Endorsement Advice on the IASB Project *Initial Application of IFRS 17 and IFRS 9—Comparative Information*.

Expected February 2022 written procedures

The EFRAG FR Board is expected to approve the following document using written procedures in February:

- EFRAG Final Comment Letter on the IASB Project *Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures*.



EFRAG FINANCIAL REPORTING BOARD AND TEG (FR BOARD AND FR TEG)

Webcast meeting

The EFRAG FR Board and EFRAG FR TEG held a joint webcast meeting on [26 January 2022](#) and discussed the following topic:

IASB Research Project *PIR IFRS 9 – Classification and Measurement*

The EFRAG FR TEG and EFRAG FR Board discussed the EFRAG Final Comment Letter ('the FCL') on the *Post-implementation Review of IFRS 9 - Classification and Measurement* and made comments and drafting suggestions. In the FCL EFRAG identifies several areas that require attention or standard setting.

EFRAG FR TEG agreed to recommend the FCL for approval to the EFRAG FR Board; in the same meeting EFRAG FR Board approved the FCL for publication.

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting

EFRAG FR TEG held a webcast meeting on [18-19 January 2022](#) and discussed the following topics:

IASB Project *Disclosure Initiative – Targeted Standards-level Review of Disclosures*

EFRAG FR TEG discussed EFRAG FCL on the IASB's Exposure Draft *Disclosure Requirements in IFRS Standards – A pilot Approach (Proposed amendments to IFRS 13 and IAS 19)*. In its FCL EFRAG generally supports the IASB's efforts to develop a new approach to disclosure requirements in IFRS Standards but makes, based on its extensive outreach, field-testing and consultation conducted with European stakeholders, several suggestions, including a proposed alternative approach.

EFRAG FR TEG agreed to recommend the FCL for approval to the EFRAG Board subject to comments and drafting suggestions.

IASB Project *Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures*

EFRAG FR TEG discussed the EFRAG Secretariat study on compatibility between the IASB's Exposure Draft *Subsidiaries without Public Accountability: Disclosures* ('the ED') and the Accounting Directive 2013/34/EU. Such a study is expected to help European stakeholders and the European Commission to assess, among other things, whether the Draft Standard ensures an equivalent level of protection for shareholders (including non-controlling



shareholders), creditors, members and other third parties as in the Accounting Directive 2013/34/EU.

EFRAG FR TEG provided a number of suggestions to the EFRAG Secretariat, including making clearer when disclosures in the Accounting Directive 2013/34/EU are not required by IFRS Standards and the ED.

No decisions were taken at the meeting.

IASB Research Project *Goodwill and Impairment*

EFRAG FR TEG received an update on the IASB's discussions and tentative decisions so far on the IASB Discussion Paper *Business Combinations – Disclosures, Goodwill and Impairment* ('the DP') and a high-level status of developments in the FASB's project *Identifiable Intangible Assets and Subsequent Accounting for Goodwill*. EFRAG FR TEG members provided their views on the more controversial aspects of the disclosure proposals in the DP and any other comments on the IASB and FASB tentative decisions so far on the project.

No decisions were taken at the meeting.

EFRAG Research project *Crypto-Assets*

EFRAG FR TEG discussed the EFRAG Secretariat preliminary recommended options on developing IFRS requirements in response to constituents' feedback to the EFRAG Discussion Paper on *Accounting for Crypto-Assets (Liabilities)* ('the DP'), which was open for consultation until 31 July 2021. In March 2022, a feedback statement that reflects the feedback received and EFRAG's position on the way forward on developing IFRS requirements will be presented to the EFRAG Board.

No decisions were taken at the meeting.

ESMA Publication

ESMA representative presented the results of a review conducted by ESMA and the European enforcers of the 2020 financial statements of 44 European banks (mix of large systematically important banks, medium-sized and smaller banks) from 21 jurisdictions based on desktop examinations regarding compliance with the ECL-related requirements/principles of IFRS 9 and IFRS 7. The review was focused on compliance with disclosure requirements.

[Webcast meeting](#)

EFRAG FR TEG held a webcast meeting on [24 January 2022](#) and discussed the following topic:

IASB Project *Initial Application of IFRS 17 and IFRS 9—Comparative Information*

EFRAG FR TEG unanimously agreed to recommend the endorsement advice to the EFRAG FR Board for approval. On the topic regarding financial conglomerates, EFRAG FR TEG agreed to include a neutral sentence which refers to the EC Regulation (EU) 2017/1988 *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*.



Next meeting

EFRAG FR TEG will hold its next webcast meeting on [16-17 February 2022](#).

EFRAG'S SUSTAINABILITY REPORTING AND RELATED ACTIVITIES

Development of EU sustainability reporting standards

The EFRAG Project Task Force on European sustainability reporting standards (PTF-ESRS) had a plenary meeting on 10 January 2022 where EFRAG Board President Jean-Paul Gauzès gave an update to the PTF-ESRS on the status of the EFRAG governance reform. The PTF-ESRS also received an update on the progress since the previous plenary meeting of 6 December 2021. The update covered the architecture and structure of the standards, a reassessed timetable identifying the crucial steps ahead until the end of March 2022, and co-construction to the maximum extent possible.

A second plenary meeting took place on 20 January 2022 during which the first batch of working papers ('Batch 1'), attached to an accompanying [cover note](#), launched the internal review process of these working papers including drafts for four cross-cutting standards, the climate change standard and two conceptual guidelines. The Batch 1 working papers were made publicly available on the EFRAG website as plenary meeting agenda papers. Following the release of Batch 1, the overall architecture of the standards was revisited taking into consideration relevant points coming up in advancing with the drafting process. A further session was dedicated to ESRS 4.

At a third plenary meeting on 27 January 2022, the practicalities were addressed of the consensus-building questionnaire, the internal review panel process and the involvement of the expert working groups in a 'triple review process'. To facilitate the review of the working papers and the completion of the consensus-building questionnaires, Cluster 1 presented an overview of the disclosure requirements in the cross-cutting standards and the most debated points. Cluster 2 in turn presented the updates introduced in the current version of draft ESRS E1 and an overview of its mapping with the Climate-related Disclosures Prototype of the Technical Readiness Working Group.

EFRAG Governance Reform

In the proposal for a CSRD, EFRAG is identified as the technical advisor to the EC preparing draft European sustainability reporting standards. Commissioner McGuinness invited EFRAG to reform its governance integrating sustainability activities and a wide range of stakeholders in its governance bodies with an interest in sustainability reporting.

In order to be inclusive of the wider range of stakeholders in the sustainability reporting field, a Civil Society Organisations Chapter was introduced in the membership of EFRAG for the Sustainability Reporting Pillar with four different sectors: NGOs, consumer organisations, trade-unions and academics.



At its December 2021 and January 2022 General Assembly meetings, EFRAG reached key milestones in its governance reform by:

- Approving its **revised Statutes and Internal Rules** integrating a new Sustainability Reporting Pillar in EFRAG's organisational structure; and
- Admitting **thirteen new organisations** to the membership of EFRAG in the Sustainability Reporting Pillar in addition to the seventeen existing ones (see [press release](#)).

These new organisations are EFAMA (asset management sector) and European Issuers (business-listed companies sector) in the European Stakeholders Organisations Chapter and the Civil Society Organisations Chapter: NGO sector (Climate Finance Fund of the European Climate Foundation; Economy for the Common Good; Environmental Defense Fund Europe; Frank Bold Society; Publish What You Pay; Transport & Environment and WWF); consumer organisations sector (BETTER FINANCE and Finance Watch); trade unions sector (ETUC) and academics sector (EAA).

The approval of the EFRAG Statutes and Internal Rules forms the legal basis for the further implementation of the governance reform including the populating of the various technical sustainability reporting bodies.

Further admissions to the membership of EFRAG can take place at future EFRAG General Assembly meetings (with meetings already scheduled for 15 February, 1 and 15 March 2022).

The newly formed EFRAG Administrative Board held its first meeting on 25 January 2022 and approved the publication of three calls for candidates to populate its new governance bodies:

- A call for **members of the EFRAG Sustainability Reporting Board** (open until 10 February 2022) ([here](#)): candidates can only be nominated by EFRAG Member Organisations;
- A call for **the Chair of the EFRAG Sustainability Reporting TEG** Board (open until 28 February 2022) ([here](#)); and
- A call for **members of the EFRAG Sustainability Reporting TEG** (open until 28 February 2022) ([here](#)).

Reporting of non-financial risks and opportunities and linkage to the business model

The final PTF-RNFRO plenary session that will discuss possible next steps and promotion of the report was rescheduled to mid-February. Saskia Slomp presented key findings of the PTF-RNFRO report at the CSR Hellas event.

Other involvement in sustainability reporting – Platform on Sustainable Finance (PSF)

In January 2022, EFRAG attended the sixteenth plenary meetings of the PSF which was devoted to the Platform's response to the EC consultation on the Complementary Delegated Act covering certain gas and nuclear activities.

EFRAG also attended a meeting of the subgroup on Data and Usability (SG5) in which members received updates on:

- The discussions with ESAs on the Regulatory Technical Standards on Articles 5 and 6;



- The proposals regarding the annexes to Article 8; and
- The ‘grandfathering’ provisions to be included in the EU Taxonomy.

Members also discussed the action plan for the subgroup’s final report.

Next steps

Plenary meetings of the PTF-ESRS are tentatively scheduled for 2, 10, 18 and 25 February 2022. The PTF-RNFRO will have its final plenary session during the week of 21 February 2022.

Coronavirus – Update on EFRAG’s meetings and events

EFRAG will continue to monitor the impact of the COVID-19 pandemic on its activities recognising the circumstances and priorities of our stakeholders and will adapt its activities accordingly:

- All EFRAG public meetings of the EFRAG FR Board, EFRAG FR TEG and EFRAG CFSS are turned into webcast meetings until further notice. Due to particular circumstances, the meetings have been shortened and the frequency has been increased. Digital access to these public meetings is provided as usual;
- All EFRAG public events and outreaches take place in electronic format (see below) until further notice;
- EFRAG has adjusted the timelines of several of its projects taking into account the priorities of its stakeholders during the pandemic and is flexible in obtaining input through outreaches, field tests and other means, recognising the availability and individual circumstances of the stakeholders concerned. The input of stakeholders is an essential part of EFRAG’s due process as a public interest organisation.

EFRAG staff is mainly working from home and is contactable by email, Teams or phone.

The EFRAG offices are open for visitors.

You can find contact details [here](#).